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Assessment 1: Report on Australian Fashion Retail 2020

Inclusivity in Fashion

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Executive Summary

The main purpose of this report is to analyse the gap within Australian fashion retail through evaluating challenges and opportunities within the industry. It will then proceed to suggest an opportunity to fill the gap through recommendations suitable to deliver successful brand. It is found that brick and mortar stores are struggling, and online store is growing, although survey proves that customers prefer to shop in-store if brands are offering positive experiences.

With modest fashion shows growth opportunity within Australian Fashion Retail, competitors analysed are The Hijab House, which has established their trust with their niche market, Uniqlo that has been successfully collaborating with modest designer Hana Tajima, Asos with their wide range of assortment offering ‘modest styling’, and The Modist which has strong branding strategies and defined brand attributes.

The brand will then reflect on the highlighted problems while also considering the opportunities arise within the market and implement appropriate solution to deliver unique brand experience to targeted market through integrated online-offline store.

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Introduction

Australia’s Fashion retail is facing challenges as global competition starting to establish their consumer trust within the country after years of being sheltered from international brands. Brick and mortar stores performance has decreased significantly due to the presence of e-commerce whilst also lacking in-store experience for consumers. While big portion of Australian fashion brands now has provided online stores to stay relevant, the poorly curated content and low personalisation make it hard for brands to stand out and consumer to engage amidst the saturated market. The change of consumer behaviours has also eliminated brands that are not capable to adapt with the rapid change of their demands. This report will discuss research into Australian fashion retail landscape, looking at the challenges and opportunities, studying relevant competitors, and finding niche within the market to accommodate them with appropriate approach.

1.0 Australian Fashion Retail Analysis

Despite Australian fashion being big powerhouse industry driving annual retail sales of $9.2 billion employing 77,000 people in NSW (Stilinovic, 2018), Australian fashion retail has not been looking good coming into 2020, despite the projected growth “Industry revenue is expected to increase at an annualised 1.8% over the five years through 2019-20, to $17.4 billion. This trend includes anticipated growth of 0.4% in the current year, largely due to bricks-and-mortar retailers expanding their online sales channels.” (Miller 2019). Starting with 161 Australian Brick and Mortar stores announcing their closures “Lazy Retailing” has caused the crisis to Australian Retailers amidst the online presence and international brands (Retail Wire 2020).

1.1 Threats in Australian Fashion Retail

1.1.1 Global Competition

Due to its geographic location, Australian businesses were sheltered from international raiders, but internal competition grows stronger each day. Brands like Zara, H&M and Uniqlo has taken few years to establish their foothold and now their presence grows around Australian consumer. In 2016, these brands were taking $600 million out of Australian clothing retail (Hobday, 2017).

With bigger buying power, range, and much quicker turnaround by foreign brands, Australian retailers are struggling to compete. Although Cotton On holds the largest market share within the fast fashion in Australia, around 46% are held by global brands combined (Miller 2019). To cope with the competition, traditional retailers are putting up discounts to compete with the global brands, but continuous discount is not sustainable. Retailers need to engage customers who are now changing, so retailers try to keep up with trend and find the expansion for their market by finding their niche. Fashion retailers must keep pace in an increasingly crowded and competitive fashion retail environment to remain profitable.

1.1.2 Online Presence

In addition to the global raiders impact on Australian retailers, businesses are faced to compete with online retailers, threatening brick and mortar retail. In 2019, 80.8% of Australian consumer shops online which soon will be projected into consumer buying only 1 out of 10 items out of brick and mortar store (Webalive 2019). Moving into 2021, the projection of e-commerce market penetration grows reaching 85.2%, with 22.0 million people buying through online with Australia's e-commerce market totaled at $27.5 billion in 2018, reaching 10% of total retail sales (Australia Post 2019), growth is expected to continue following online retailer giant like Amazon expansion in Australia. In online shopping, fashion category has become the powerhouse of its growth, proven from purchases made from pure fashion retailers representing 26.5% of all online orders (Australia Post, 2019). However, online shopping in Australia aren't exclusively for local brands, as shared by Japan External Trade Organization, more than 80% Australian Consumers use overseas e-commerce side (Webalive, 2019)

1.1.3 Consumer Shift

On top of everything, retailers are struggling from economic impacts as consumer spending behaviour has shifted over the last five years. Strained consumer sentiment has put their focus on paying down debt over the period, resulting in the seek of bargain hunting, furthermore, low wages growth is also supporting them in search for low prices (Miller 2019). While customers gets more accustomed to price reduction given by retailers to boost their sales, the impact of internet has also becomes a challenges for retailers, with easy access to global information, they have also become more comfortable using websites to compare prices to then decide the best value purchase from both domestic and international (W3_RCO3).

1.2 Opportunities in Australian Fashion Retail

1.2.1 Modesty for Everyone

Traditionally, modest wear is strictly accustomed to reflecting religious beliefs, by covering most part of the body with no sheer fabric. Thompson Reuters predicted “the modest fashion to become a $450 billion industry by 2019” (Shepherd 2018). There was a 50% increase annually on long-sleeve blouses with a high neckline, and the midi-length hem in skirts and dresses makes up 53 per cent of total skirt styles (Brown 2019). This market presents an opportunity for brands to incorporate fashion trends with modest principles, with focus on quality, ethics, and sustainability, which are being emphasized in halal style, but not limited to Muslim women as these values are very in line with the wider Australian market. While modest fashion is widely associated with Muslims, the runway in the past few years have started to shift, incorporating more towards covering up, whatever their religious or cultural background is. The modest fashion id here to stay, providing comfort and feminity for modern women (Smith 2019).

1.2.2 Utilization of Big Data

Interesting survey from Accenture 2018 revealed that 48 percent of consumers chose to left a brand’s website and go to another website or in-store to purchase due to poor curation, while 91% of consumers are more likely to shop with brands that remember, recognize, and provide relevant offers and recommendations (Accenture 2018), this goes to show how important it is to meet customer demand with the right merchandise mix (W4_RCO1). As big data becomes more and more familiar for businesses to utilize, it helps to provide relevant information to personalize consumer needs. 83% of consumers said they do not have problem sharing their data to brands to create a personalized experience but businesses must be transparent about it and give customers control over that (Accenture 2018). To use that data to provide ease and customisation of service is suggested to increase sales revenue, as well impulse purchases, minimise return and boosts likelihood of future purchases (Hyken 2017). Emotionally connected consumers are 52% more valuable to a brand than those who are just satisfied (Otley 2016). Presumably, emotionally attached consumers are a brand's highly profitable market segment (Rossiter and Bellman 2012). (W2_RCO2).

1.2.3 Convenience and Immediacy

Consumer Shift (2.1.3) presented threats as it presents the opportunities for retailers too. As consumer gets more used to convenience and instant gratification, brand experience in existing brick and mortar store can be reworked to adapt with the shift. Online shop has definitely raised customer's expectation, but survey showed only 1/3 thinks online shopping is more convenient than going into physical store, additionally, a study by facebook also added that 85% of consumers choose to shop locally as it is convenient for them (Accenture Interractive 2018). This demonstrates that physical store still matters but they need to improve the convenience aspect and create meaningful connection to the consumers. Local shop also shows to have much lower return rate in comparison to online shop, with 16% for local shops and 25% for items bought online (McKinsey 2020). The opportunity is to have more localised and decentralised shop for customers convenience, the focus also goes for personalized services (W2_RCO2), finding the right product mix (W4_RCO2), and experimental elements that are relevant and in consistent with brand's identity (W4_RCO3).

2.0 Competitor Analysis

2.1 Competitor's Strength and Weaknesses Table

Hijab House	Uniqlo	Asos	The Modist
Local modest fashionwear shop providing trendy items.	Ever since the first collaboration in 2015 with Hana Tajima, Uniqlo has successfully sell their modest collection.	Having wide range of assortment, Asos offers modest style for their consumer.	Providing luxury modest wear for fashion lovers who dress modestly despite their beliefs.
○ **Strengths** • Localised store within target market's neighbourhood to maximize in-store experience • Niche market, strong connection between brand and customer (W4_RCO1) • Access to consumer's data • Strong consumer base • Sharing same values as the target market	○ **Strengths** • Consistent brand attributes • Accessibility, offering stores in urban area and online • Innovative materials • Affordability • Wide marketshare due to global expansion • Ability to provide omnichannel strategies as having both online & offline store • Short lead times, the brand intends to reduce lead times into 13 days	○ **Strengths** • Strong Brand Attributes • Maximisation of brand experience, providing personalisation from AI (W2_RCO2) • Wide range of assortment and price point • Wide market share • Omnichannel in social media presence • Third party payment services • Access to consumer's data • Offering mobile app	○ **Strengths** • Strong branding strategy (W4_RCO3) • Access to consumer's data • Niche market, strong connection between brand and customer (W4_RCO1). • Well-curated website and easy to navigate • Offer extra services like personal shopping • Strong consistent brand identity, the product

• Established consumer trust with niche products	• Access to consumer’s data	• Short lead times, providing new items by using LFL sales	assortment, and the price point • Offering mobile app • Strong costumer service • Brand image – not limited to beliefs
○ **Weaknesses** • Lack utilisation of their consumer’s data • Inconsistent product display on their website • Ambiguous brand image due to mixed price point • Low physical accessibility (only 2 stores in Australia) • Lack of services to maximise in-store brand experience • Brand Image – limited to certain beliefs	○ **Weaknesses** • Providing basics hence lack of trendy items • Poor website experience • Limited offer for third party payment services • Lack of services to maximise in-store brand experience	○ **Weaknesses** • No physical store • Lack of advertisement • Ambiguous brand image due to wide assortment of product and mixed price point • Higher chance to generate more return as due to lack pf physical product experience	○ **Weaknesses** • No physical store • High price point • No physical store • Limited offer for third party payment services • Higher chance to generate more return as due to lack pf physical product experience

3.0 Filling the Gap within Australian Fashion Retail

As analysis above presented, there is a gap within fashion retailing in Australia. More covering silhouettes and looser fits are clothing styles of numerous women across cultural and religious background are wearing for years, catering to those needs now is a big industry, projecting to make $373 billion by 2020 (Loveluck 2018). While most of modest fashion is generally associated with women of faith, it should also accommodate those who wears it for other reasons, such as comfort. With information spreading fast without any time barriers, social media and fashion bloggers were also big contributors for the rise of Modest fashion (W3_RCO3). The focus will be providing modest wear with main target market of young adult muslim women (as the median age of the muslim population is 27 years old), although the brand identity is extending beyond religion.

3.1 Costumer Persona

To deliver the right product mix, determining the right time to deliver it to the right consumer is important (W4_RCO1). Targeting career women aged 22-38 years old, the young consumers are fashion conscious yet choose comfort over trendy, valuing quality, ethics, and sustainability. These women are confident with their body, likes to dress to express their feminity, heavy social media user following influencers that shares similar value. Having secure source of income means they are able to spend fortune for clothing, although they are very value based, meaning they are selective with items they choose to buy, making sure that they are getting what they're paying for. Being an active user in social media, these women likes to dress up to express themselves, especially when in times of big events. Clothing is a way to express themselves and staying relevant within their circle, which affect their purchasing habit, that is as frequent as seasonally. Items to be sold will be a mix of versatile essentials and fashion statement items with average price of $59.95 for clothing, and $9.95 for accessories. While basics are always in stock, the seasonal trendy items will be released according to the trend while keeping in-line with our values each season. Feminine colour is to be considered when creating a range. The product category will have additional outer wear, abaya/dress, scarfs as separate department as well due to their relevance in projected sales.

3.2 Localised store with online integration

As mentioned above, online presence is threatening brick and mortar stores, yet it is proven that offline store is still very much relevant and generates more sales while consumers are also shifting into demanding more convenience and instant, constant gratification. This is an opportunity to approach our young, tech-savvy consumer. To maximize the convenience, online store is to be offered through application that can be downloaded for their phones/tablets. While the brand also provides online store, having a local physical store is important to maximize brand experience and creating connection with the customer. Choosing the right location and incorporating the right services while utilizing the gathered data will be the key. The store will be placed in strategic suburban area, with the store theme.

3.2.1 Location

Location chosen is Brunswick, Victoria; it is an inner-city vibrant, convenient suburb in Victoria, 6 km from the city of Melbourne. Specifically, in Sydney rd, at upper Brunswick. The muslim population in Moreland is 15,851 (City of Moreland 2020), Brunswick is the modern suburb neighbouring Coburg that goes all the way to Fawkner, in which the muslim population grows but the younger population declines (City of Moreland 2020). With easy access to both neighboring suburbs with moslem population and the city, adding the vibrant touch of the suburb itself will attract our young modest consumer into the store.

3.2.2 Online integration

To utilize the opportunity in providing immediacy and instant gratification for consumers, the brand will remember, recognize, and provide relevant offers and recommendations for our consumer with hope of creating loyal, strongly connected customer base. When customers are creating online account, the brand is to offer personalised wardrobe and customised recommendation for each consumer. These services are also to be received in-store as well when they want to, with QR code that they can scan through their phone when going in-store, then from augmented reality incorporated in their phone app, they are able to know which items or relevant offers in-store that may be in their interest. This will need an advanced, integrated assortment planning too (W4_RCO4). The products placement in-store is always integrated with the brand's online store, hence accessing the AR and directing consumer through their personalized in-store experience is possible.

3.2.2.1 Personalised Wardrobe

The brand is to launch an online feature of consumer's personalised digital wardrobe which is to be integrated in-store as well. The feature includes private customer's account with order tracking services, wishlist notifying sales and product status, and styling recommendation that is based on consumer's previous preferences. As mentioned above, research suggests a "65% likelihood of online purchase from online brands who knows their purchase history and 58% likelihood for brand-recommended products" (Accenture Interactive, 2016). Using the consumer insight, the brand is to recommend similar product of consumer's preference and store images of the purchased items on virtual closet, customers will be able to mix-and-match their items with the new arrivals digitally, while also can be shown and tried on in-store due to the frictionless service the brand offers.

3.2.2.2 Brand experience

On top of personalised service and frictionless digital – physical retail experience, brand store experience can be maximised combining with other services that accommodate our customer's need. The brand is to add complimentary services such as Scarf Styling that can be done in-store, while tutorial videos are also to be uploaded through their digital platform. There is also a weekly style make-over, collaborating with local fashion stylist into turning modest fashion as trendy as other womenswear fashion category. These services are likely to create a strong consumer relationship with the brand, resulting in more loyal consumer.

3.2 Main competitor

3.2.1 Hijab House

Hijab House is to be considered as main competitor due to both having a localised physical store and online store whilst also targeting the same market. Being one of the first successful brand that offers modest, yet trendy clothing within Australia, Hijab House has already established consumer trust due to their strong brand attributes (W2_RCO3) and cohesive branding strategy (W4_RCO3). Some of their weaknesses is the lack of brand experience both in-store and online, as they do not offer special services or personalised offer. This is an opportunity to tap into the market as the brand is to integrate and maximize both offline and online store. The weakness is also how heavily Hijab House is associated with certain religion, eliminating the modest fashion consumer that is not affiliated with certain beliefs, so inclusivity for everyone in the brand's identity will be an opportunity to gain wider market-share. The challenge will be to establish trust within the market share as a new brand that is located within the same area, this can be achieved with the brand experience strategy stated above.

Conclusion

Through Australian Fashion Retail analysis, it is found that market within the country has become more and more saturated with the global competition and online store getting into the market, furthermore the consumer shift towards growing demand of instant and convenience has pushed retailers to be more creative to compete within the market.

With growing opportunity within modest fashion, including the spending power within that market, providing a unique, convenience personalised shopping experience is the way to get into the industry, establishing connection with customers to gain their trust. Physical store to be located in strategic, vibrant inner north suburb of Melbourne offering more than just retail experience. Styling services is to be incorporated to attract and engage with consumer while also having the opportunity to get them to buy more. Utilizing big data, personalisation is integrated both in-store and online to create frictionless purchasing activity. With more personalisation and maximisation of brand experience, it is expected that positive outcome will be apparent with engagement from consumer to the brand that delivers experience than just a product, hence building loyal customer base that will help penetrating into the new market.

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From **Week 1**:

RCO1 - The modern consumer
RCO2 - Challenges for retailers
RCO3 - Key Factors for Success
RCO4 - Merchandise Management (definition & explanation)
RCO5 - MM strategies (diffusion lines)

From **Week 2**:

RCO1 - The emotional economy
RCO2 - Marketing in the emotional economy
RCO3 - Desired Brand attributes
RCO4 - Brand integrity
RCO5 - Branding strategies

From **Week 3**:

RCO1 - The Global Economy
RCO2 - Challenges of Global interdependence
RCO3 - Technology and globalisation
RCO4 - The new global era
RCO5 - Global trade

From **Week 4**:

RCO1 – Meeting Consumer Demand with The Right Merchandise Mix
RCO2 – Brand and The Right Product Mix
RCO3 – Branding Strategy
RCO4 – Assortment Planning
RCO5 – Brand Merchandise Promotion